City of Lafayette/Lafayette Redevelopment Agency Staff Report

For: City Council/Redevelopment Agency/Planning Commission/Design Review Committee/Senior Housing Task Force

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Date Written: February 15, 2008

Meeting Date: February 25, 2008

Subject: Joint Meeting of the City Council/Redevelopment Agency, Planning Commission, Design Review Commission and Senior Housing Task Force to review conceptual plan options for an affordable, independent living senior housing development proposed by Eden Housing on a 0.78 acre parcel of land located at 3426 Mt. Diablo Blvd., APN #233-040-038. This is an information-only item intended to provide initial feedback; no action will be taken

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Purpose

1. To be briefed by staff on the efforts to provide senior housing in Lafayette.
2. To be briefed by Eden Housing on the status of its purchase of a site for the development.
3. To review conceptual plan options for a possible development on the site described above.
4. To provide preliminary direction as to the appropriateness of the current conceptual plans.
5. To provide input on issues related to density, parking and other development considerations.

Background

On February 28, 2005, the Senior Housing Task Force was created to help the City Council meet its goal of providing senior housing in Lafayette. The task force, consisting of two Councilmembers (Anduri, Federighi), two Planning Commissioners (Lovitt, Chastain) and three Senior Services Commissioners (Fuchs, Hahn, Miller) has been meeting on a regular basis since that time.

The Task Force met with senior housing developers to gain a better understanding of the factors (site characteristics, funding, and need) involved in getting a project built. The following goals were established to guide the efforts of this committee:

1. Focus efforts on getting an affordable, independent senior housing project built.

2. Focus attention and efforts on sites with appropriate General Plan designations and that are located close to downtown services. This would include avoiding any project that would require a General Plan Amendment.

3. Ideally develop a project on a site of one acre or more.

Item 5

4. Complete a Request for Proposal (RFP) by the summer of 2006 and forward the same to senior housing developers.

In January 2007, based on extensive deliberations after the interviews with the various developers who responded to the RFP, the Senior Housing Task Force selected, and the City Council approved, the nonprofit Eden Housing as the developer for this project.

Site Selection Status

For almost a year, Eden Housing has been researching the feasibility of a variety of sites for this project, all within the Redevelopment Project Area and identified as potential housing sites in the General Plan. This effort has been daunting, since land values continue to increase rapidly and there is a dearth of readily available land in the Downtown. Eden has continued to hold update sessions with the Senior Housing Task Force to apprise them of its efforts and to obtain guidance on how to continue pursuing site acquisition.

Although the Task Force set as a goal the selection of a site that was one acre or more in size for this development, extensive review revealed that none of the sites that could be developed or that were available and which also did not require a General Plan Amendment were more than an acre in size (except perhaps one, discussed below). This created significant constraints in terms of balancing financing concerns with operational efficiency needs. When this group last convened in joint session in November 2007, Eden believed that it had a site identified with a willing owner. This site, the Buick Conti site, may have been more than an acre in size, depending on the results of a survey, since a portion of the site actually included Blackwood Lane. However, despite ongoing negotiations with the owners, Eden was unable to obtain a signed purchase agreement and was forced to abandon its efforts in purchasing the Conti site, since funding deadlines with outside resources (such as the County CDBG and HOME programs) necessitated securing a site expeditiously.

At the end of December 2007, Eden engaged in negotiations with the property owner of the adjacent site, owned by the Lemos Family Trust, which while smaller than the Conti site (at about 0.8 acres), became an obvious choice because of the ability for Eden to execute a purchase agreement quickly. Following the City Council/Redevelopment Agency Board meeting of January 28, 2008, at which this new development was discussed, Eden entered into a purchase agreement with the Lemos Family Trust. This began a 90-day "due diligence" period in which a number of outstanding issues will need to be resolved.

Site Assembly Option

At the November 13, 2007 joint meeting, interest was expressed in undertaking a lot line adjustment between the Conti and Lemos sites, so that retail development could occur along the Mt. Diablo frontage and residential development could take place at the rear of the site. Although in theory this idea has significant appeal, especially in terms of the ability to coordinate development between the two sites, such a scheme would be difficult in practical terms. With funding timelines currently in place, it would have been unlikely that a completed purchase of both sites and the lot line adjustment could have been implemented in time to meet both the County and HUD deadlines. This would have necessitated pushing back funding applications to a later round, with no guarantees that the City would again be in line to receive needed funding. Furthermore, at this point the Conti site is no longer a viable purchase option, making the combined site idea moot. Accordingly, at the January 28th meeting of the City Council, it was determined that Eden Housing should go forward with the development of the Lemos site alone.

Issues and Concerns

There are a variety of issues on which City staff and Eden Housing would like to obtain preliminary feedback at the joint meeting. The following summarizes key issues and opportunities with the Lemos site.

Density
The Lemos site is less than an acre – approximately .8 acre. Based on current zoning of 35 units to the acre, and even with State-mandated density bonuses, the project cannot achieve the optimal number of units to be operationally efficient. The maximum density bonus allowed by State law is 35% over the base zoning, which translates to about 38 units total on the site, well short of the minimum needed by Eden to make a project pencil out (45-48 units). While Eden is prepared to explain the rationale behind these figures at the joint meeting, the following points are important to note:

- The total development costs for a 38-unit development are only about 9-10% lower than for a 48-unit development, as a result of land costs and soft costs that would remain the same or decrease only slightly. These fixed costs must be amortized over a smaller project, with less rental income, which results in a substantially higher overall funding gap and higher per unit subsidy amounts.
- Total construction costs will be less with the 38-unit development, but the per unit and per square foot costs will be higher because of the economies of scale that come with building a larger project, and the opposing higher costs associated with a less efficient smaller project.
- These first two points could mean that the City subsidy required for the 38-unit project could be as much as $5.7 million, or $150,000 per unit, compared to $4.5 million and approximately $94,000 per unit for a 48-unit development. This is because outside funding sources are already maximized and therefore the resulting operational gap to run a project with fewer units would have to be filled by the City.
- Eden has requested $3 million from the County of Contra Costa, which is oversubscribed for its available HOME and CDBG funds. At 48 units, this subsidy works out to $62,500 per unit. At 38 units, the subsidy per unit climbs to nearly $79,000 per unit, and this project becomes less competitive for the much-needed County funds as the County looks to spread its funds over the greatest number of affordable units.
- With fewer units, the per unit operating costs are higher, as staffing and other fixed costs must be covered by fewer units. Eden anticipates receiving HUD financing for the development, which will include an operating subsidy. However, HUD also reviews operating cost efficiency, and smaller, less efficient projects may be less competitive for HUD financing. Without the HUD operating subsidy, the project size becomes even more important because small projects under 45 units have great difficulty covering operating costs over time. This is because the ratio of income to expenses is lower, and the increases in rental income do not keep pace with increases in operating expenses over time.

In terms of how the density increase can be achieved, there are several key points:

→ Nothing in the law precludes the City from granting more density than the 35% over base. In fact, a recent court decision upheld a jurisdiction's granting of a density bonus above the 35% level even in the absence of a density bonus ordinance allowing such an increase. The City could, at its discretion, decide on whatever evidence it wants that it will give this project (or any senior project, or any project) more than the 35%. Technically, this would not require a General Plan Amendment because the base density does not change.

→ The density bonus law requires jurisdictions to provide "concessions" to developers who want them, based on a formula, for projects that provide "X" amount of affordable. In addition, a jurisdiction can provide "waivers" of certain provisions, including zoning provisions, if it deems it necessary to allow the project to work. Conceivably one could argue that a density bonus above the 35% could be a waiver or a concession.

→The senior housing overlay General Plan Amendment that staff has been working on would provide the needed density for the senior project on the Lemos site. However, based on timing considerations for funding sources, a GPA would take too long to provide the level of assurance needed by the County that the project would receive enough density for it to work.

Parking

Extensive research on trip generation data shows that seniors tend to drive significantly less than their younger counterparts, obviating the need to provide as much parking in all-senior developments as might normally be found in multifamily housing. For example, a 1997 study by the Federal Highway Administration showed that seniors living in apartments – regardless of income – averaged 0.6 vehicles per unit. Combined with lower incomes as well as geographical location, that ratio can be even lower.

There is no standard ratio of the number of parking spaces to number of senior units in California; jurisdictions allow reductions for senior housing developments, but in varying amounts. For example, the City of Oakland will allow (with a conditional use permit) a parking ratio as low as .25 spaces per dwelling unit, regardless of the income of the tenants. Eden is proposing 30 parking spaces for the development, which at the 45 unit level translates to about 0.67 spaces per unit. This is less than what is required under the City's zoning ordinance, but is well in line with other senior housing development projects in the Bay Area.

It should be noted that the State Density Bonus law allows a developer to ask for a reduction in the parking requirement, which must be granted by the jurisdiction unless the jurisdiction can show that the parking requirement reduction is not needed or "would have a specific adverse impact ... upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources" so long as there is no way to mitigate or avoid the specific impact without making the development unaffordable to Low and Moderate income households.

Proposed Scenarios

Eden and its architect have provided three possible scenarios for the Lemos site. Each will require an increase in density above the State-mandated density bonus, and each includes 30 spaces of parking, requiring a parking variance. Conceptual plans are attached showing these three scenarios and the following table compares the options.

Issue	Option 1	Option 2	Option 3
Area of site	.78-.8	.78-.8	.78-.8
No. of units	43-45	46-48	54-57
Density (units/acre)	55-58	59-62	69-73
Requires density bonus?	Yes	Yes	Yes
No. of parking spaces	30	30	30
Parking ratio (spaces/unit)	.7-.67	.65-63	.56-.53
No. of stories	2-3	3	2-3-4
Maximum height	35 feet	35 feet	45 feet
Requires GPA for height?	No	No	Yes

Task Force's Comments

At its February 11, 2008 meeting, the Senior Housing Task Force discussed the three options and provided input on each. There was general consensus that option #3 should be avoided for two primary reasons:

1. It would require a General Plan Amendment for height. Throughout the process, the Task Force's position has been that any proposal for a project should not require a GPA.

2. The density proposed (between 69 and 73 units to the acre) may potentially exceed the density envisioned for a Senior Housing Overlay Zone that the City has been developing. At this time, the density being considered for the overlay zone is 60 units/acre. This of course, has to be reviewed and approved by the Planning Commission and City Council before it becomes effective.

Although the Task Force did not express a preference for one option over another for the remaining two scenarios, there was general agreement that the City should pursue a project with at least 45 units in the development. This translates to at least 58 units to the acre in density.

Based on direction from the Senior Housing Task Force, Eden Housing has submitted the attached tables showing (1) occupancy and parking comparisons between a 28 unit family apartment project and a 48 unit affordable senior project and (2) typical parking demands in an affordable senior project.

Staff Comments

In general, the aesthetic, parking and circulation impacts of an affordable senior housing project are lower than the impacts of a family apartment project of comparable size (units). This is due to the following factors:

1. The size of an affordable senior unit is approximately 600- 650 sft., which is smaller than an average family unit of about 1,000 sft. depending on the number of bedrooms
2. There are fewer people per unit in senior housing projects
3. There are fewer vehicular trips generated by a senior housing project
4. The parking requirements for a senior unit are lower than a family unit

Recommendation

Upon completion of the presentations, provide direction as to the appropriateness of the proposed site, the conceptual plans, the proposed density and parking.

Attachments

1. Tables submitted by Eden Housing on parking and occupancy for senior projects
2. Location map
3. Minutes of the January 28, 2008 RDA meeting
4. Conceptual plans

Occupancy and Parking Comparisons

Occupancy Comparisons: 28-unit Family Project vs. 48-unit Senior Affordable Project

	Unit Type	Avg # Persons/ Unit	# Units	Total Persons
28 unit family project, assuming State/federal allowances	1-BR	1.5	6	9
	2-BR	3	14	42
	3-BR	4.5	8	36
				87

28 unit family project, assuming General Plan allowances		2.1	28	**59**

	Unit Type	Avg # Persons/ Unit	# Units	Total Persons
48 unit affordable senior project (proposed)	1-BR	1.1	47	52
	2-BR (Mgr)	2	1	2
				54

Parking Comparisons: 28-unit Family Project vs. 48-unit Senior Affordable Project

	Unit Type	City Ratio	# Units	Spaces Required
28 unit family project @ City standards	1-BR	1	6	6
	2-BR	1.2	14	17
	3-BR	1.5	8	12
	guest	1 per 5 units	28	6
				41

	Unit Type	Senior Standard Ratio	# Units	Spaces Required
48 unit senior project @.6 parking per unit	1-BR	0.6	47	28
	2-BR (Mgr)	1.2	1	1
				29

SENIOR HOUSING PARKING ANALYSIS

AVERAGE PARKING RATIOS	Lafayette Senior	Other Eden Senior Affordable Developments	Eden Lodge, San Leandro	Eden Issei, Hayward	Josephine Lum Lodge, Hayward	Wisteria Place, Union City	Rosewood, Union City
Total units	48	478	143	100	150	40	45
Total spaces (includes guest and visitor)	30	213	62	52	39	28	32
Parking Ratio	**0.63**	**0.45**	**0.43**	**0.52**	**0.26**	**0.7**	**0.71**
Parking Adequate? (survey of property managers)			*Some spaces are vacant, residents do not ask for more spaces*	*Some vacant spaces*	*A few more spaces would be preferable*	*More than enough parking spaces*	*More than enough parking spaces, fewer than 15 people drive*

SENIOR STATISTICS		Other Eden Senior Affordable Developments	Eden Lodge, San Leandro	Eden Issei, Hayward	Josephine Lum Lodge, Hayward	Wisteria Place, Union City	Rosewood, Union City
Total # of seniors who drive		171	51	37	58	13	12
Percentage of seniors who drive		**36%**	**36%**	**37%**	**39%**	**33%**	**27%**
Total # of seniors w/jobs		8	2	1	3	2	0
Percentage of seniors w/jobs		**2%**	**1%**	**1%**	**2%**	**5%**	**0%**

Parking Needed For Lafayette's Senior Project Based on Eden's Other Properties	
Proposed total units	48
Proposed total spaces	30
Parking Ratio	**0.63**

36% Households Drive	17
Staff spaces	1
Visitor spaces remaining	12
	30

150ft

Eden Housing

N

CityGIS

Convene Redevelopment Agency

ACTION: It was M/S/C (Tatzin/Andersson) to convene the Redevelopment Agency. Vote: 4-0-1 (Ayes: Anderson, Tatzin, Andersson, Federighi; Noes: None; Absent: Anduri).

1. **Recommendation of the Senior Housing Task Force for the City to apply for a State HELP loan for the purpose of supplementing the funds to purchase a site for the senior housing project. Consider acquisition of the adjacent site in order to build a mixed use project. APN's 233-040-024, 233-040-038 and 233-040-039**
   Recommendation: 1. Receive update from Eden Housing and direct staff to work with Eden Housing, Inc. to apply for a HELP loan from the State to purchase a site. 2. Consider the acquisition of the adjacent site and work in partnership with Eden to build a mixed use project.

Ms. Srivatsa introduced Diana Elrod, the City's Housing consultant, Linda Mandolini and Woody Karp from Eden Housing, and members of the Senior Housing Task Force.

She said the Task Force spent the last two years educating themselves about senior housing, choosing a senior housing developer to build a project in Lafayette and now working with Eden Housing to secure a site. Eden Housing is at a point where it is negotiating with two adjacent property owners to acquire one of the two parcels on which to build a project. A joint meeting was held with the Planning Commission and the DRC to look at schematics of the Conti site. Negotiations are still underway and Woody Karp and Linda Mandolini will provide an update.

She said staff's purpose in the matter is 1) to let the Council know where Eden Housing stands in its negotiations; 2) if Eden Housing were to proceed, it would need additional financial assistance from the Agency and staff has provided options to finance the gap; and 3) at the joint meeting, the Council had discussed the possibility of having both parcels considered for one, a larger project and two, for a mixed use project wherein the City would undertake a lot line adjustment, have commercial development in the front and senior housing in the rear. The staff report outlines the pro's and con's of that option and she asked to hear from Eden Housing first.

WOODY KARP, Eden Housing, said regarding the issue of negotiations for the two potential sites, at the last Senior Housing Task Force meeting they presented viable projects for either the Conti site or the site owned by the neighboring property owner; Phillip Lemos. The Task Force indicated they did not have a particular preference and the direction was to proceed with whichever site they were able to negotiate a deal with first. They have continued negotiations with both owners and he is at a point where he is comfortable he has an executable contract with Mr. Lemos, but not with the Conti's. There are some business points they have gone back and forth on with the Conti's, he said he was not of the opinion they are insurmountable, but they have not been able to come to terms.

Mr. Karp said there is an issue with the Lemos site in that they would need guidance from the City on in order to pursue it. The site currently allows for a maximum density with the density bonus of 38 units. In order for the project to be viable, they would need 45 units. They envisioned originally 48 units when the project was presented to the

Senior Housing Task Force, and the direction they would like from the Council or staff is of the likelihood of getting the bonus density in order to make the site viable. They would like the Council to acknowledge the fact that they are maintaining the height limitation so the building would not require a variance of any kind. Also important is that over the past year, they have been looking at approximately 10 different properties within the area that the City would like to a senior housing project proceed, and of the viable properties, only two had more than an acre of land that would have allowed a viable project with the density. So, for at least 6 of the sites looked at, they would have been confronted with this issue which is similar to the Lemos site, and the City would have to evaluate the merit of allowing an increased density.

Agencymember Federighi asked Mr. Karp to elaborate more on what would be necessary to get the 45 units on the Lemos property, and Mr. Karp said the project presented to the Senior Housing Task Force contemplated they would be able to generate 48 units on the site within the height limitation. It would have 3 stories on the frontage of Mt Diablo and the rear would be a podium with parking at grade level and two stories of residential above it. The entire project would remain within the 35 foot height limitation.

DIANA ELROD, Elrod & Associates, said the density issue is a problem on all sites because senior housing projects are typically smaller. So even though the building envelope is small, you would get more units. Councilmember Federighi said the staff report said even with podium parking, the maximum number of units is 38. Mr. Karp said they could get 48 units with podium parking. Staff was trying to articulate in the report that under the current zoning, they are entitled to 35 units per acre. The Lemos site is .8 acres, so the allowable zoning for the site would be 28 units if there were no other zoning allowances or density bonuses. There is a density bonus of 35% allowed for projects of low income, which would bring them to the 38 units that staff was referencing. It is a matter of what they would be entitled to under the current density bonus. Councilmember Federighi confirmed the project would therefore exceed the 35 units per acre and not the height limit.

Chair Anderson said the Council just held a discussion about the pre-application process which is appropriate. He knows Eden Housing is interested in moving this, but he thought the Agency could not act now and make any guarantees about the situation, as the Council may need to refer it to the pre-application process where people can hear it. He questioned if there was something else that could be done. Ms. Srivatsa said Mr. Karp is looking for some comments from the Agency. She confirmed the average size of an apartment was 580-650 square feet and, therefore, Eden was talking about an additional 7 units at about 600 square feet. She said the Mr. Lemos is a property owner willing to negotiate, Mr. Lemos is present, and the hesitation on Eden's part is whether to proceed with the challenge of running into an additional density bonus.

Chair Anderson restated that the Agency cannot give any guarantees until we have a pre-application process where we could gather feedback and allow Eden Housing to go forward on that basis.

Agencymember Federighi said Eden Housing was running up against strict deadlines for funding purposes. She acknowledged that the entire community has not been part of the project but the Senior Housing Task Force has been dealing with this for several years and sites are dwindling. Mr. Karp agreed and said they have to have a project under

contract, a sufficient plan they can submit, a HUD application on June 7 and they are right at the deadline needing to execute a contract to do necessary due diligence on the site to determine if the project is viable. This would include an environmental assessment, an analysis of the zoning issues, density issues, and during this period, they could resolve this issue before the deposit money becomes non-refundable and move forward as long as everyone, including the seller, understands that this is a very significant issue that must be resolved in order to be able to develop the project.

Agencymember Federighi said the Task Force hoped that a project could be presented that would not require any density bonuses, the Conti property would not require additional density bonuses and they are not at a point of negotiation with them. Mr. Karp said the Conti property is 1.35 acres, which includes Blackwood Lane. As long as the property includes that and staff considers the entire site, there would be no density issue. If it was evaluated that density bonus was based only on the buildable site, the density issue would then become an issue.

Vice Chair Tatzin said he understands that the Agency over time could allow such an increased density through a General Plan Amendment and he confirmed with Ms. Elrod there were other ways of accomplishing this. Ms. Elrod referred to page 6 of 8 of the staff report, options are presented. Based on other housing professionals she has spoken with, there are three things that could occur; 1) the Agency can just decide it would grant a greater density to this project or a senior project as an additional density bonus beyond what the State already mandates. She noted many cities do this already. Technically, this is not a General Plan Amendment because it is not changing the underlying zoning but simply granting a bonus in addition to what is required by the State. However, the Agency decided some time ago it did not want to adopt a formal density bonus ordinance. So, something would have to happen to revisit this or make a policy statement where the Agency establishes this as the direction for the Agency; 2) The City can grant waivers and concessions if a developer asks for it. One could argue that a density bonus is an additional waiver, but there is a question about it being non-sensical; 3) The General Plan Amendment would be a senior housing overlay. If a project comes in, it would get more than what the underlying density is. She agreed that a General Plan Amendment would be time-consuming.

Agencymember Andersson confirmed that the density allowed on the site is based on multi-family housing and noted there was a suggestion that senior housing is defined with smaller units, less parking, etc. So, a larger number of senior units would be similar to smaller project.

Chair Anderson asked how the Lemos site fits in terms of scenarios laid out in the staff report. He confirmed with Mr. Karp that because of the podium parking structure for the Lemos site, both sites would essentially add the same cost which would have been saved in the acquisition. Chair Anderson confirmed the Agency could use the matrix in terms of cost. He referred to the HELP loan and asked if it was independent of the contract. Ms. Elrod said the loan is just for acquisition and not for construction. Mr. Karp said conceptually, there would be no problem for using the HELP funds for acquisition and other funding from the Agency toward construction costs and did not see this as an obstacle.

LINDA MANDOLINI, Executive Director, Eden Housing, said she thinks the bigger decision point is for the Agency to approve the HELP loan because they need it for

acquisition as soon as possible, and she noted they do not spend it until they have a site under agreement that makes the most sense. Also important to decide is that in the joint meeting with all commissions Agencymember Tatzin raised the notion of acquiring both sites and whether they would want to pursue that kind of an acquisition. She agreed with the earlier comment that they have not studied Lemos completely by itself, they had one meeting about it, but there is a question of how long the process would be if they were to try and accomplish 48 units on the site and could they actually achieve a General Plan Amendment or whatever they needed. She thought they were hearing different viewpoints and her question of the Agency is whether to apply for the HELP loan or other financing and then for the Agency to make a decision about whether or not it would like them to consider acquiring both sites.

Agencymember Federighi said she got the impression from Ms. Elrod and Mr. Karp that there was no time to try to acquire both sites, particularly as the staff report is outlining here. Ms. Mandolini said if the Agency wants to go to HUD this year, it would be challenging to acquire both sites unless they were both under extremely clear site control. She thought too much time would be lost and most likely would have to go next year to HUD. She agreed County funding may be lost as well.

Chair Anderson asked if the Agency has an option of looking at the two sites, and Ms. Mandolini said yes; if we could acquire them both by June, and based on what the staff report states, the question is whether or not there is enough gap funding to acquire both sites.

Chair Anderson said he has a sense the Agency does not have the money and Eden does not have the time. Ms. Srivatsa said the staff report gives the option of bonding against future revenues or loaning Redevelopment Agency funds if the City wishes to have both properties as part of the project, and the Agency would get involved. She said pages 7 and 8 of the staff report talk about ways to fund the acquisition of the other parcel. Having said this, staff is looking at it as Agency staff that a mixed use development of a 2-acre site would be beneficial for that part of the downtown and a better project. She said Eden Housing is facing immediate deadlines. In addition to the June deadline, they are meeting with the County to discuss the $3 million grant application in February and they need to let the County know they have a site in place and can proceed. The Agency's involvement and the possibility of a larger, undefined project may cause the County to defer giving Eden a loan until the following year, so it is a balancing of the two.

Agencymember Federighi said another question of concern is that the City has money in its parking fund and the City offices fund, but by tying that money up and then bonding for it, she questioned if we weren't ultimately obligating greater RDA funds in the future. She said they do not get new RDA funds until 2011.

Administrative Services Director Tracy Robinson said these were housing set-aside funds which is different than the general RDA funds. The City has the capacity now to bond for about $6-7 million, but whether we can get a bond done is the question. She said they talked about a loan from those two other funds and then bonding at the same time we are planning to go out for a library bond next Fall.

Executive Director Steve Falk said staff has been tracking the transactions in the downtown over the last year. Each transaction changes and boosts the assessed value

of the RDA and those higher assessments are recorded with the August tax rolls. Hence, the recommendation is that if the Agency wanted to pursue this path, that we issue a bridge loan from the General Fund to the RDA until the fall when we would have a higher tax base to issue a bond.

Vice Chair Tatzin questioned and confirmed that no one has done any conceptual work to see how that might work out and what a mixed use development might look like. He said if tonight is the night the Agency must act, he did not think it was prudent to consider both sites. He felt there were too many unknowns to be spending $3-5 million for both of the properties. He thinks conceptually it results in better planning, the Agency does not have the information in front of us that a rational decision-maker would want to have, and he would support dropping the idea.

Chair Anderson said he would like to explore it more. He said if the Agency is going to do something this year and hold all the dollars that we have gathered, we need to act quickly. However, he would like to know the possibilities of delaying the process, going out to try and acquire the other property with some option and then come back with a bigger project. Ms. Mandolini said the real risk is when they meet with the County, as they are entertaining a $3 million CDBG loan to acquire one of the two parcels, and they have not put the notion of acquiring two parcels. If we do not get the two parcels this year, the money goes back to HUD.

Mr. Karp said they are scheduled to meet with the County to discuss the $3 million funding and that is the lion's share of funds available. They presented what they believe is a strong application and for us to go back and revamp it as a completely different project would most likely undermine the application and risk the entire funding amount.

Ms. Srivatsa said a lot of information has been presented tonight. She wanted to separate the most critical issue being to have the Agency direct staff to work with Eden to apply for the HELP loan from the State, which needs to be done right away.

Regarding the issue of whether to buy one or two parcels, she suggested the Agency not drop the idea altogether tonight, but research it more with Eden Housing and return to the Agency at the next meeting. If there is an outside chance to do both projects, it would be of interest to the Agency and to the City. And lastly, the Agency should provide some preliminary direction to Eden Housing to proceed in making an offer on one of the two properties.

Vice Chair Tatzin referred to the HELP loan and confirmed there was no downside to the City from proceeding other than staff time.

Vice Chair Tatzin referred to the two properties and acknowledged that negotiations started with Conti first and that they have been able to come to an agreement.

Agencymember Andersson said if the Agency approves the HELP loan and Eden Housing moves ahead with the one parcel approach, there is some window in which that process is proceeding. If it turns out possible to acquire both parcels, at that point, he questioned if a revised project could be proposed without jeopardizing the original project. Mr. Karp said he thinks this is something they would investigate doing. He would want to do it where he is upfront with the County with such a modification for them to entertain. He said Eden will meet with the County for an application interview on

February 8, 2008. At that point, County staff will make a recommendation to the County Board of Supervisors as to which project or projects they would like to fund. They will make their decision in the middle of March and he believes that they would have to move very quickly after the interview to educate the County as to this alternative project so they provide an adequate staff report to the Board of Supervisors.

PUBLIC COMMENTS:

GUY ATWOOD said he appreciates what the Agency is going through, believed the pre-application process had already started with the prior meeting and the public has had notification of it. He thought the confusing thing for the community is if a mixed use project or two projects were proposed, which would require input by many people. He encouraged the Council moving forward on the grant, said the reason densities are in place are because of things like parking, traffic and impacts, and these types of projects do not have the same impacts. So if there were a situation to allow additional housing, he thought it would still be in conformance with meeting constraints. He supported looking at the density bonus matter with an open mind, if not favorably. He did not know how much more the Agency could do at this point. He thought a closed session would be warranted to discuss negotiations, but unless the Agency could get an option that would provide enough time to make a decision about both parcels, the Agency will need to proceed on one or the other. He said also, this still leaves the $1.4 million gap and he confirmed with Agencymember Andersson that this would come from the HELP loan.

Chair Anderson referred to the HELP loan and asked for Council feedback. Agencymember Federighi said she did not see a downside in applying for it.

ACTION: It was M/S/C (Federighi/Tatzin) to approve the City's application to the State for a HELP loan. Vote: 4-0-1 (Ayes: Anderson, Tatzin, Andersson, Federighi; Noes: None; Absent: Anduri).

Chair Anderson said there is still question on the density bonus issue. He said the Agency cannot guarantee anything, but it would be nice to provide the Agency with a little more security, and requested the City test the public comment pre-application process formally.

Agencymember Federighi asked if direction was needed as to whether or not to proceed with two projects or one projects, stating she is reluctant about pursuing two. She said Vice Chair Tatzin raised this issue at the joint meeting, some time has elapsed since then, the Conti property was always first on the list and there is nothing yet in place, the City is running against a deadline, are potentially jeopardizing $3 million worth of County money, a mixed use project is something the City has not discussed, senior affordable housing has been discussed for two years with the idea of possibly considering a mixed use project, sites have been too small to consider or improperly located, and she believes this would take further consideration and delay.

Agencymember Andersson said he was not clear about whether there isn't a way to pursue a two parcel solution project without jeopardizing it. He suggested indicating there is a one parcel solution the Agency and Eden were proceeding with, let the County know there is another possibility for which they may be open to if it could be put it together, he does not see this as necessarily jeopardizing a single parcel solution if it is done openly and straight-forwardly.

Vice Chair Tatzin said negotiations with Conti have been unsuccessful and time-consuming. He does not believe that going back will cause them to act any faster. Eden prefers the Lemos site and he supports this. If the Conti's are interested at some point, we can meet with them. But he did not think sending a signal to the County that we are interested in two parcels is productive, and Chair Anderson agreed; he felt the Agency needs to go in with a clean application to the County. If the Conti's are interested in the future, the Agency might begin to negotiate with them later on, but he agreed the Agency should move ahead with the Lemos site.

ACTION: It was M/S/C (Federighi/Tatzin) to recommend acquiring one site for the affordable senior housing project. Vote: 4-0-1 (Ayes: Anderson, Tatzin, Andersson, Federighi; Noes: None; Absent: Anduri).

Adjourn Redevelopment Agency